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MGA Entertainment, Consumer Entertainment Products Company: Marketing Strategies for 'Bratz'

Synopsis of the Case Study

Toy industry in US is product driven and full of challenges. This case presents an overview of the California-based, MGA Entertainment is a consumer entertainment products company, engaged in innovative lines of proprietary and licensed products including toys and games, dolls, consumer electronics, home décor, stationery and sporting goods. It had more than 200 licenses. In 2001, MGA launched a fashion doll called 'Bratz', and sold 150 million Bratz dolls over the world. Bratz line surpassed the legendary brand 'Barbie'- Mattel, Inc.'s flagship brand, in a short span of time through many innovative marketing strategies and different product placement, roll-outs, tie-ins and other promotional tactics, despite of facing many challenges like fast changed demographics, shorter life cycle of product, negative perceptions about brand etc. This case can be used to address two issues: first, structural change drivers and trends that shaped the toy industry in developed economies and second how to develop effective marketing strategies for product with shorter PLC in highly product-driven market?

Keywords: Bratz, Barbie, Market leader, Consumer research, product life cycle marketing, KGOY, tween, product placement

Introduction

In 2006, US retail toy sales were \$22.3 billion.¹ US toy market experienced a shift of demographics in the kids segment called 'tween'², which proved to be an industry paradox. This paradox was exploited

¹ "2005 Vs. 2006 state of the industry", <http://www.toy->

[tia.org/Content/NavigationMenu/Press_Room/Statistics3/State_of_the_Industry/2005_vs__2006.htm](http://www.toy-tia.org/Content/NavigationMenu/Press_Room/Statistics3/State_of_the_Industry/2005_vs__2006.htm)

by California based, MGA Entertainment, Inc. (MGA), a privately owned company, engaged in innovative lines of proprietary and licensed products including toys and games, dolls, consumer electronics, home décor, stationery, and sporting goods. MGA launched a brand 'Bratz' targeting the 'tween' segment. It promoted the brand aggressively with the slogan 'the only girls with passion for fashion', which sold over 150 million³ around the world, through innovative and integrative ways. It became a market leader in fashion doll category, snatched the market share of Mattel, Inc. (Makers of Barbie). Admiring MGA's success, and potential 'tween' segment, other doll makers including Mattel Inc. (Barbie) started adopting the new trend of fashion dolls, calling intensive marketing war. It is to be seen how MGA would maintain a leading position through its innovative marketing strategies, despite of having negative perceptions about its doll 'Bratz' from parents and special interest groups. Industry skeptics wondered how long MGA would be able to maintain its momentum through Bratz with only one flagship brand Bratz and its market-driven approach, unintervened.

Toy Industry in the US

Toys came into existence as early as 4000 B.C with the Babylonians playing games, which were similar to Chess and Checkers. The modern history of toys in America dated back to 1830s with the inception of the first toy manufacturing company named Tower Toy Company⁴, followed by portable versions of games, walking and talking dolls and a Teddy Bear⁵ craze, a first-of-its kind fad. The more traditional toys, however, appeared in the early 1900s. Many of the toys like dolls, board games, alphabet blocks, and stuffed animals were introduced into the US market through the American International Toy Fair, the toy industry's annual event, held for the first time in 1903. Over a period of time, the design and function of toys grew sophisticated. They were produced for educational, recreational, and other purposes, maximising their functional and emotional utility. In the early twentieth century the toy industry

² "New toys on the block", <http://www.smh.com.au/articles/2002/04/12/1018333412926.html>, April 12th 2002

³ Barnes Brooks, "The pouty Bratz dolls get a Hollywood makeover", <http://www.iht.com/articles/2007/07/16/business/bratz.php>, July 16th 2007

⁴ Tower Toy Company is a producer of toy tools, toy boats and toy furniture.

⁵ Morris Michtom, New York, started selling "Teddy's Bears" in honor of the President, as President Roosevelt used a bear as a mascot in his re-election bid.

became innovative with increase in the influence of cinema and TV. Major television shows and films targeting children formed tie-ups with toy manufacturers to promote themselves, triggering a new trend in the toy industry. The toy industry revolutionised by a new concept called 'promotional toys'⁶ constantly evolved from traditional to digital with the emergence of video games in the late 1990s. 'Pong' being the first ever-video game in the market, later, games like 'Space Invaders' and 'Pac Man' paved the way for other forms of games to be developed.

Toy sales declined due to several reasons like terrorist attacks, non-cyclical patterns, store closures, high-profile bankruptcies, and boom-and-burst sales patterns. In early 1990s, large retail chains replaced traditional distributors and wholesalers and began to order directly from toy manufacturers. In 1997, US retail toy sales reached \$22.6 billion⁷. According to James U. McNeal (McNeal), professor of marketing at Texas A&M University, children may have their own money to spend, but also influence family spending decisions.⁸ McNeal reported in his article in 1998 in American Demographics those children aged four to twelve directly influenced parental purchase decisions, and they are open to advertising communication directed by the companies to turn them into future consumers.⁹

In 1998, retail chain Wal-Mart became the market leader in retail toys with 17.4%¹⁰ market share. Giant retail chains – Toys 'R' Us, Toy Warehouse, etc., emerged to specially cater to the toy industry. In 1999, over 40% of the toys sold in the US were through discount stores.¹¹ Continuous consolidation in the industry as well as increase in discount channel's share of total sales resulted in continuous price

⁶ In Promotional toys, toy marketers create a concept around product, which creates fantasy around the product and children buy the toy with fantasy, which makes the toy unique.

⁷ Madore James T, "No Fun & Games / Business off for big toy chains and independents heading into make-or-break season", <http://www.latoys.com/info/newsday.html>, November 30th 1998

⁸ Zoll H. Miriam, "Psychologists Challenge Ethics Of Marketing To Children", <http://www.mediachannel.org/originals/kidsell.shtml>, April 5th 2000

⁹ Ibid.

¹⁰ Weiskott Maria, "Toys R Us: What now?", <http://www.playthings.com/article/CA452018.html>, January 9th 2004

¹¹ "History of Toy Shopping in America", <http://www.ucpress.edu/books/pages/10529/10529.ch02.pdf>

erosion. Toy manufacturers, therefore, had to rely on seasonal mass consumption, as around 50%¹² of annual sales happened between the months of October and December – the Christmas festival season. Till 1998, trade sources noted, there were more than 1, 50,000¹³ kind of toys in different categories **(Annexure I)**.

The US toy industry was product driven, thus product design (physical product design and conceptual character development) and creativity were important which forced toy makers to license and outsource to low wage countries to remain in the competition. Online retailing further fueled the growth of the industry providing easy access to toys and reducing shopping (for toys) hassles for parents. In 2006, total retail sales of traditional toys grew to \$22.3 billion from \$22.2 billion in 2005¹⁴ largely due to growth in subcategories like youth electronics (22%), vehicles (5%), and arts and crafts (4%)¹⁵ **(Annexure II)**. The toy Industry was dominated by four major players such as Mattel, Inc., Hasbro¹⁶, Milton Bradley, Fisher-Price Inc.¹⁷ and plenty of small toy makers on the verge of consolidation. Although toy manufacturers like Mattel and Hasbro became popular and generated revenues they were embedded with many risks, which are unique to the industry.

The fickle-mindedness and changing tastes of children makes it difficult for toy manufacturers to predict trends in the industry. The product life cycle of toys is very short forcing manufacturers to constantly innovate to stay competitive. The tween¹⁸ girl market was one such segment of the toy industry that

¹² Ball Rosalyn, “Dreaming of a pink Christmas”, http://www.thefword.org.uk/features/2006/12/pink_christmas, December 16th 2006

¹³ “eToys.com – A Premier Internet Toy Store”, bctim.wustl.edu/caseStudies/eToyscomfinal.pdf

¹⁴ “2005 Vs. 2006 state of the industry”, http://www.toy-tia.org/Content/NavigationMenu/Press_Room/Statistics3/State_of_the_Industry/2005_vs__2006.htm, 2006

¹⁵ Ibid.

¹⁶ Hasbro founded by Henry and Helal Hassenfeld as Hassenfeld Brothers in 1923.

¹⁷ Fisher-Price Inc., world’s largest preschool products company, is known for the high quality and durability of its toys.

¹⁸ The tweens are children between the ages of 8 and 12.

witnessed intense competition. The two major companies in this segment – Mattel's Barbie and MGA's Bratz, tried to compete constantly innovating their line of dolls. MGA, not only had to counter competition from Mattel, it also had to counter charges that the Bratz line of dolls had a negative influence on young girls. The company tried to adopt innovative marketing strategies to deal with competition and also dismiss the negative image of the Bratz line of dolls.

MGA's Flagship Product Line: 'Bratz'

In 1982, Isaac Larian (Larian) founded ABC Electronics, and later changed its name to Micro Games of America in the late 1980s. He shortened it to MGA when the company diversified into dolls from electronic games in the late 1990s. At this point Mattel had a monopoly in the doll segment with a market share of 90%-95%¹⁹. Larian said, "The monopolistic nature is often to stop being innovative."²⁰ Realising the need for a product, which appealed to those who got tired playing with Barbie like his daughter and her friends, Larian worked with his team to develop a toy design focusing on what girls wanted in their dolls, and not what appealed to parents. Carter Bryant, an up coming toy designer's sketches featuring varied ethnicities with cartoonish facial features, appealed to both Larian and his daughter. Larian mentioned, "We set out to have dolls that weren't realistic, who were more cartoons than mimics of real life. These dolls are more about fantasy and playacting with fashion and trends than they are about 'I want to look like that' when I grow up."²¹ Using Bryant's sketches, MGA's team developed the 'Bratz' dolls.

In the US, the tween girl segment did not consider themselves as kids and expected others to treat them as adults. This age group was emerging as a new segment and had great influence on the purchase decisions of parents. Age of playing had shrunk, leading to a new trend in the industry called 'age compression' or 'kids are getting older younger'²² (KGOY). Larian decided to capitalise on the shift

¹⁹ "Toppling Barbie", http://www.thepowerofthepurse.com/Warner_CH08.pdf

²⁰ Ibid.

²¹ "Toppling Barbie", op.cit.

²² O'Donnell Jayne, "As kids get savvy, marketers move down the age scale", http://www.usatoday.com/money/advertising/2007-04-11-tween-usat_N.htm

with the right products. After conducting a series of focus group discussions with children and having informal discussions with his daughter, her friends, his nieces, nephews, and their friends, Larian decided that the dolls should be based on cutting edge fashion and pop culture. He also observed that kids were influenced the most by their favourite pop singers and actresses' fashion. He pushed his designers to think beyond the fashion trend. MGA developed its first line of Bratz dolls, which were 10" in size and made of hard and soft vinyl. Bratz dolls featured a short body, a lumpy fat head with wide eyes, a small nose, full lips, and snap on, off shoes, and in pairs-pack. In June 2001, MGA launched first set of Bratz dolls with four extremely fashion-conscious young girl characters namely Yasmin (adopted from Larian's daughter name; Jasmin), Cloe, Sasha and Jade (**Annexure III**). Dennis McAlpine, analyst with McAlpine Associates felt that these characters were relevant to pop culture and appealed to kid's increasing sophistication.²³

In the first six months of introduction, MGA sold \$20 million²⁴ worth of Bratz dolls, and proved to be an instant hit. It won the 'People's Choice award for Toy of the Year' at the New York Toy Fair in 2001, and 'Family Fun of the Toy Award' awarded by FamilyFun Magazine.²⁵ Larian believed that young girls of the current generation decided how their dolls should look like and the way they played with their dolls.²⁶ Bratz team equipped the dolls with accessories and many clothing options including body-hugging T-shirts, low-rise jeans, clunky platform shoes etc. Larian used to watch the girls at play and tried to understand what drove their fast-changing desires. Larian kept his eyes on Mattel's (MGA's biggest competitor) moves and realised that Bratz benefited from Mattel's failure to launch new products in the market and tried to avoid such mistakes. He also noticed the increasing popularity of video games in the next generation of kids.

²³ Bhatnagar Parija, "Can Mattel save Barbie?", http://money.cnn.com/2004/10/18/news/fortune500/mattel_barbie/,

October 18th 2004

²⁴ Robertson Pat, "How the Bratz Beat Barbie",

http://www.dabydeen.com/archives/2005_08_01_dabydeen_archive_.html, August 30th 2005

²⁵ "Awards", http://www.starvideosystem.com/awards/2001_awards.asp

²⁶ "Toppling Barbie", op.cit.

Larian knew that if any product remained popular for a year after its debut, it was being imitated immediately. He also observed that kids who bought dolls lost interest after some time. So, he planned to develop dolls, which could hold kids' interest for a longer period of time. MGA introduced all Bratz dolls based on themes like 'beach party', for example, to leverage kid's doll-centric world. In late 2002, Meygan²⁷ was added to the existing Bratz line called 'Bratz X-Press It!' with interchangeable accessories and clothing, which helped in holding kids interest in the product for a longer duration. During 2002, MGA placed Bratz Funk N' Glow and Bratz Plush Toys which sold exclusively in auctions. MGA also launched a complete playset called Bratz 5-in-1 Stylin' Salon 'N' Spa with Dana, a complete beauty salon with different accessories to woo kids. Sensing the increasing popularity of video games, MGA, in 2002, made an exclusive licensing agreement with Ubi Soft Entertainment, one of the world's largest video game publishers, to develop and publish games based on the Bratz for the PCs and also for all the new generation of consoles.²⁸

Larian besides, looking for new ideas from within his team also started to invite ideas for new products from kids all over the world through letters and mails, this proved to be a good competitive move. Many of the replies asked for introduction of boys to Bratz line. In 2003, MGA introduced four boys - Eitan, Dylan, Koby, and Cameron with more fashionable look. The introduction of boys to the Bratz line sparked a lot of criticism from mothers saying that the dolls looked like tarts, unsuitable for children. Moreover, they also complained "dolls appear sexual — like pole dancers on their way to a gentleman's club..., belong to the same corrupting trend that has brought thongs to the children's sections of department stores."²⁹ Larian, however, countered these criticisms by saying that the company launched dolls based on their demand and also mentioned, 'As adults, we put our adult paradigm on the dolls; we

²⁷ Meygan is nicknamed Funky Fashion Monkey. Varying eyes (often green or blue), varying shades of red hair, light skin.

²⁸ "Ubi Soft Signs Exclusive Licensing Agreement with MGA Entertainment to Bring the Bratz Dolls to PC and consoles", http://pc.gamezone.com/news/05_14_02_12_25PM.htm, May 14th 2002

²⁹ Driscoll Margarette, "Focus: Battle of the dolls", <http://www.timesonline.co.uk/tol/news/uk/article666399.ece?token=null&offset=0>, December 10th 2006

see them from an adult prospective.³⁰ Since its inception, MGA bundled a 'basic' line with at least one or two budget collections, and at least two or three feature collections with new shoe styles, clothes and accessories to match with the current trend of fashion.

Bratz was credited with stealing market share from Barbie and upsetting the fashion doll niche segment, targeting girls aged seven plus, and not Barbie's core target audience 4-to 6-year-old girls. This segment represented 30 million in number with a spending power of \$19.7 billion.³¹ In December 2003, MGA came up with a pair of pre-adolescent fashion dolls holding hands called Bratz '4Ever Best Friends', in two cool themes - 'Girl Party', and 'Just Chillin' with huge advertising campaign competing directly against Barbie. To support this new product launch, MGA discontinued the production of Meygan from the Bratz pack, but on demand from fans started it again. Bratz design team came up with special collector's edition. The first product under this category was 'Big Bratz' featuring two-foot tall versions of the Bratz. In 2003, Bratz brand became a retailing powerhouse, the brand, and its licensees pooling in \$3 billion in sales.³²

In 2004, on a trip to Japan, Larian observed that roller-skating sports accessories were popular among Japanese kids. Larian translated his observation in to a product idea, and came up with 'Bratz Tokyo-A-Go-Go'³³ featuring a roller-skating ring and fashions. He printed information about Tokyo on the packaging, to educate the kids. In addition to the dolls, MGA launched Lil Bratz, the Bratz Babyz, plush Petz, ('Catz', 'Dogz' and 'Foxz') etc. In June 2004, MGA officially endorsed a magazine dedicated to Bratz featuring Bratz Flashback Fever line on the cover. In August 2004, MGA teamed up with 20th Century Fox Home Entertainment to release a one-hour animated movie named *Bratz, the video: Starrin & Stylin*, based on the antics of best selling dolls. Mattel, Bratz's rival had already released three

³⁰ "Toppling Barbie", op.cit.

³¹ Ibid.

³² Korry Elaine, "Bratz Dolls Bump Barbie", <http://www.npr.org/templates/story/story.php?storyId=1565710>

³³ Tokyo-A-Go-G0 collections have anime-style eyes, Tokyo-inspired fashions, wildly colored, micro-braided hair.

Barbie movies.³⁴ That same year, MGA raked in \$2.5 billion³⁵ retail sales of Bratz, between its dolls and products sold by licensees. According to a research firm NPD Funworld, Bratz's retail sales rose 19% during the quarter, which ended on June 30th 2005 whereas Mattel's sales continued to slide 6% during the same period.³⁶

In February 2005, MGA added a new line of Bratz home décor, sporting goods and toy electronics. It displayed lipstick-shaped MP3 player, TV with a built-in DVD player, Bratz-inspired video camera at American International Toy Fair in New York. It also included a line of action figures and remote-controlled toy vehicles called 'Alien Racers' and other dolls called '4-Ever Best Friends' and '5Sies.' Larian wanted to project MGA as a consumer entertainment product company, related to toys rather than a toy company. Chris Byrne, an independent toy analyst, commented on MGA's strategy, 'If it's a way of expanding toys into a year-long business, then electronics and furnishings make sense.'³⁷

In March 2005, MGA launched 'The Bratz Spring 2005' line such as Bratz Babyz, Bratz Sportz, Bratz Treasurers, Fabulous Bratz and Bratz Pretty 'N' Punk, targeting the age group of 6³⁸ and above. In the following month, MGA extended Bratz Rock Angelz brand with a marketing campaign worth \$50 million³⁹, which featured five dolls as members of a rock band. Larian mentioned, "This is what the fans have been asking for, a line of Bratz dolls which are connected to rock and music. It's really a fun line."⁴⁰

³⁴ "Videos to support new Barbie, Bratz lines", http://findarticles.com/p/articles/mi_m0FNP/is_12_43/ai_n6082937, June 21st 2004

³⁵ Fulmer Melinda, "Bratz steals some of Barbie's spotlight, market share", <http://www.detnews.com/2005/business/0508/06/biz-271177.htm>, August 6th 2005

³⁶ Ibid.

³⁷ Bhatnagar Parija, "Livin' a "Bratz-y" lifestyle", http://money.cnn.com/2005/02/21/news/midcaps/bratz_products/, February 24th 2005

³⁸ Robinton Andrew, "MGA introduces five new BRATZ lines this spring", <http://www.toydirectory.com/monthly/article.asp?id=1214>, March 2005

³⁹ Johannes Amy, "Bratz rocks with \$50 million campaign", http://promomagazine.com/othertactics/marketing_bratz_rocks_million/, April 1st 2005

⁴⁰ "Bratz rocks with \$50 million campaign", op.cit.

MGA partnered with Universal Music Enterprises (UMe) for CD release and THQ Inc. (THQ)⁴¹ for a videogame release. Meanwhile, Mattel launched its Barbie 'My Scene' line of dolls to look more like the multi-ethnic Bratz line. Immediately, MGA filed a lawsuit against Mattel alleging, "serial copycatting" (A theoretical concept of challenger strategy – for reviewer eyes only). In September 2005, MGA produced \$10 million worth animated series featuring 'Bratz Rock Angelz dolls' accompanied by 300 licensed products, viewed as the biggest debut in the US. In the same month, MGA published the first 'Bratz Magazine' containing 36 pages on fashion, targeted at girls aged between six and twelve. At the end of the year, MGA partnered with Sony Ericsson and released Bratz 'T 290 mobile phone', featuring exclusive Bratz wallpapers, Bratz based games, ring tones, screensavers, and skin clads. The US media reported that the Bratz brand became No.1 in the US, North America, UK, and Australia and also anticipated that it would become a market leader in Canada in 2005.⁴²

On October 6th 2005, MGA with THQ extended the Bratz Rock Angelz line to videogames and debuted the 'Bratz: Rock Angelz' video game at The Toy Wishes(TM) Holiday Preview Show in New York. Larian mentioned, "Fans will finally be able to immerse themselves in the world of 'Bratz: Rock Angelz' in an interactive adventure that brings the Bratz 'passion for fashion' to life."⁴³ 'Bratz: Rock Angelz' video game had shipped more than one million units and was a top video game for girls in 2005.⁴⁴ John Ardell, director, global brand management, THQ mentioned after the success of this videogame, 'The Bratz property is the perfect fit for the growing market of younger female gamers and we're excited to be working with MGA on a brand new title to coincide with their upcoming fashion doll and DVD movie

⁴¹ THQ Inc. is a leading worldwide developer and publisher of interactive entertainment software, which develops its products for all popular game systems, personal computers and wireless devices.

⁴² "2006 - The Year of the BRATZ", http://enews.ttnet.net/cgi-bin/enews.cgi?date=20060222&src=TY_a0221511.5na&chap.html, February 2nd 2006

⁴³ "'Bratz: Rock Angelz' Struts Onto Video Game Scene, Allowing Gamers Around the World to Experience 'The Girls With a Passion for Fashion' for the First Time", http://www.lexdon.com/article/Bratz_Rock_Angelz_Struts_Onto/11668.html, October 4th 2005

⁴⁴ "The Popular Gaming Franchise for Girls Sparkles With a Brand New Title, 'BRATZ(TM)'", <http://gbaemu.dcemu.co.uk/newsarchive/05-2006.html>, 2006

launch.⁴⁵ Larian mentioned, 'the success of last year's "Bratz: Rock Angelz" video game illustrates the popularity of the Bratz property, and we look forward to continuing that success with "Bratz: Forever Diamondz".'⁴⁶

In 2006, Larian launched 'Bratz: Forever Diamondz' interactive video game adventure enabling doll fans enjoy the game on PlayStation 2, Nintendo GameCube, Windows PC, Nintendo DS and Game Boy Advance. Subsequently, Bratz also launched five new themes – Princess, Sweet DreamzPajama Party, Genie Magic, Spring Break and Babyz Hair Flair and additional eight more themes were planned over the year. In the same year, MGA launched 'Bratz: Slumber Party' episodes on DVD. In April 2006, MGA also released direct-to-DVD movie 'Bratz Genie Magic', supporting its line of dolls and toys. It was the second computer animated movie, introducing new teenage character 'Katia' to Bratz fans. Thereafter, MGA introduced 'Katia' toy with upgraded and retooled original Bratz line, which proved to be one of the biggest selling Bratz collections in the company's history. In May 2006, when MGA added 'Kiana' to the Bratz pack, Mattel filed a lawsuit for trademark infringement of its 'Kianna' doll. MGA then decided to withdraw 'Kiana' from the Bratz pack and not use the name in future. But critics observed that though the brand names sounded similar the spellings were different and both portrayed completely different personalities, and termed Mattel's lawsuit as 'a bad marketing practice.'

Since its inception, MGA faced a negative perception for its sexualised looks of its dolls. Jack Trout (Trout), a marketing and brand consultant based in Greenwich, mentioned, 'This is a brand with a lot of negative implications.'⁴⁷ In addition, MGA saw its market share declining to 55% in 2006 from 65% in 2005 indicating early signs of brand downfall. Larian knew that the brand was six years old and lost

⁴⁵ Ibid.

⁴⁶ "The Popular Gaming Franchise for Girls Sparkles With a Brand New Title, 'BRATZ(TM)'", op.cit.

⁴⁷ Barnes Brooks, "The pouty Bratz dolls get a Hollywood makeover",

<http://www.iht.com/articles/2007/07/16/business/bratz.php>, July 16th 2007

some sizzle in the market place. He said, 'The brand has been around for a long time now'⁴⁸ and decided to go in for a brand makeover.

On August 3rd 2007, MGA and Lionsgate⁴⁹ released the live-action film called *Bratz: The Movie*, produced by Avi Arad (*Spider-Man* fame) and Paula Abdul. The movie portrayed the characters as misunderstood genius who worked out complicated algebra. Steve Beeks, president of Lionsgate mentioned, 'The goal is to broaden the appeal by demonstrating to parents and children alike that there is more to these characters than what they think.'⁵⁰ Trout opined that, 'To try and change minds about that while also giving the characters real-life personalities is going to be extremely difficult to pull off.'⁵¹ Negative public perception about Bratz dolls restricted MGA from becoming an entertainment phenomenon. Larian knew that overcoming public perception about encouraging preadolescent sex in girls would become a great challenge. Jim Silver, publisher of *Toy Wishes* magazine, observed, 'I see Mattel being much more aggressive and protecting their brands. They learned a lesson with Bratz ... that means that MGA needs to spend and promote heavily.'⁵²

Battle between MGA and Mattel reached a new dimension when Mattel decided to take this battle to the 'virtual world' aiming to outperform its rival Bratz. Mattel embraced the current trend of online community building, and launched Barbie-Girls.com in April 2007. Barbie claimed three million⁵³ members who can create virtual characters that interact and shop with other members. Barbie also launched its own makeup line with Estée Lauder owned M.A.C. cosmetics. This attracted girls, with two months' worth of

⁴⁸ "The pouty Bratz dolls get a Hollywood makeover", op.cit.

⁴⁹ Lionsgate is an entertainment company and most commercially-successful independent film and television distribution company in the United States.

⁵⁰ "The pouty Bratz dolls get a Hollywood makeover", op.cit.

⁵¹ Ibid.

⁵² Moore Angela, "Bratz creator Larian aims to win Barbie's core fans",
<http://in.news.yahoo.com/031203/137/2a1qm.html>, December 3rd 2003

⁵³ Ebenkamp Becky, "How Barbie Beat Back the Bratz Blitz",
http://www.brandweek.com/bw/news/recent_display.jsp?vnu_content_id=1003615158, July 23rd 2007

inventory being sold in just two weeks.⁵⁴ Mattel started thinking innovatively in all areas to beat Bratz. According to Chris Byrne, a columnist for Toy Wishes magazine mentioned, 'Mattel has looked at where girls spend their leisure time to see if there's a Barbie product [opportunity].'⁵⁵ Robert A Eckert, chairman and CEO, Mattel, addressing the key challenges Mattel faced – decline in Barbie's US sales and pressure on gross margins said, 'Barbie's domestic gross sales grew for the year with four consecutive quarters of U.S. growth and our gross margins also grew in 2006, the first increase since 2003. Although positive trends, we have more to achieve on both fronts.'⁵⁶

Challenges Ahead

Analysts estimated that Bratz contributed 70% to 80%⁵⁷ of MGA's total sales, indicating that MGA was entirely dependant on Bratz. Sean McGowan, analyst at Harris Nesbitt⁵⁸ in New York, warned, 'You never want to be that reliant on one product.'⁵⁹ Analysts observed that though Larian moved very quickly in product rolling compared to Mattel which was financially stronger than MGA, his focus, and investments only in one product line lead to MGA's downfall. Bratz success illustrated exactly the same phenomenon of Mattel's reliance on one product, Barbie. Analysts observed that MGA was in the same situation, where Barbie once was in 2001.

MGA had continuously strived to develop long-lasting products that held value for buyers. Toy sales generally were affected by the latest fads, which quickly lost their appeal. The lifecycle of product was too small, putting the design teams under pressure to come up with better products before its competitor could. In addition, the rising trend of the digital video games/entertainment targeted at the young also posed a threat to traditional toys. Brian Dubinsky, president, Los Angeles-based-toy manufacturer, Toy

⁵⁴ Ibid.

⁵⁵ "How Barbie Beat Back the Bratz Blitz", op.cit.

⁵⁶ "Mattel reports 2006 Financial Result", <http://www.shareholder.com/mattel/News/20070129-227272.cfm>, January 29th 2007

⁵⁷ "Are Bratz Dolls Too Sexy?" op.cit.

⁵⁸ An investment bank, that provides investment and corporate banking services in the United States.

⁵⁹ "Bratz steals some of Barbie's spotlight, market share", op.cit.

Quest, mentioned, 'In a matter of one or two years, you can have a relatively unknown small toy company become one of the largest brands in the entire business.'⁶⁰

An earlier survey⁶¹ (2005) about free time activity among 900 tweens observed that 60% of the respondents preferred digital media interface like playing video games, watching TV, watching cartoons etc. while only 4% preferred to play with games or toys.⁶² Being a part of slow growth industry, toy manufacturers suffered losses from fast-growing video game industry. So, MGA was seeing their margins get squeezed due to uncontrollable macro-economic factors. To overcome this, MGA planned to develop blend of dolls with other innovative digital tools like 'Bratz Laptop' to capitalise the new trend.

MGA succeeded by targeting and leveraging the emerging 'Tween' market. But Paul Kurnit, an expert in youth marketing was skeptical about the illusive 'Tween' market which he claimed to have evolved from marketing myopia, and not real kids' behavior.⁶³ Kids did not characterise themselves as 'Tweens' although it became a key market segment and main target for kids marketing. Marketers faced difficulties in handling the ever-changing demographic profiles of kids and their changing tastes and consumption habits.

Moreover, in 2006, AG Properties⁶⁴ commissioned a survey of more than 1,000 mothers⁶⁵ with daughters aged between four and nine found that 80% of the mothers thought today's dolls are too provocative for young girls. Susan Linn, co-founder of the campaign for a Commercial-Free Childhood (CCFC), argued, 'The dolls encourage girls to think about themselves as sexualized objects whose

⁶⁰ Ibid.

⁶¹ Carried out by a research firm KidShop, which is involved in kids-marketing consulting or youth-marketing.

⁶² French Dana, "State of The Industry", <http://www.tabpi.org/2006/sss.pdf>, November 2005

⁶³ Kurnit Paul, "The Elusive Tween: Here Today, Here Tomorrow?", November 2005

⁶⁴ AG Properties is an Ohio based happy studio consisting of a team of experienced and inspired individuals dedicated to creating, acquiring, and developing character-based properties for entertainment and consumer products.

⁶⁵ Grant Justin, "Bratz' boss sees sales up on film, rebuffs critics",

<http://www.reuters.com/article/reutersEdge/idUSN2524631720070725>, July 26th 2007

power is equated with dressing provocatively.¹⁶⁶ In the same year, the American Psychological Association mentioned in its report that Bratz's 'sexualised clothing' affected the minds of young girls inappropriately. It reported Bratz's overtly exposed clothing such as miniskirts, and fishnet stockings, was associated with adult sexuality. But, Larian disagreed and said, 'Adults see sex in everything, but kids don't.' He further added, 'Bratz dolls promote diversity and creativity.'¹⁶⁷ Researchers argued that 'girls' desire to look sexy' was encouraged by MGA's marketing initiatives and MGA unfairly proliferated sex to stimulate the demand that led to a negative development of girls. An activist group, CCFA⁶⁸ launched a letter campaign to convince Scholastic Inc. to stop promoting and selling Bratz brand books through its school book clubs and fairs.

Brazing the above challenges it needs to be seen how MGA would defend its share against Mattel in the highly product driven toy industry, and growing opposition from special interest groups.

Questions

The US Toy Market: Dynamics

1. "The toy industry was revolutionised by a new concept called 'promotional toys'⁶⁹ constantly evolved from traditional to digital with the emergence of video games in the late 1900s." What are the change drivers in the US toy industry?
2. "The US toy industry was product driven, thus product design (physical product design and conceptual character development) and creativity were important which forced toy makers to license and outsource to low wage countries to remain in the competition." Discuss the structure of the US toy industry?
3. "McNeal reported in his article in 1998 in American Demographics those children aged 4 to 12 directly influenced parental purchase decisions, and they are open to advertising communication directed by the companies to turn them into future consumers."⁷⁰ Analyse the demand determinants for toys in the US?

⁶⁶ Wadyka Sally, "Are Bratz Dolls Too Sexy?", <http://www.commercialfreechildhood.org/news/bratztoosexy.htm>, April 11th 2007

⁶⁷ Ibid.

⁶⁸ CCFA or Crohn's and Colitis Foundation of America is a non-profit, volunteer-driven organisation activist group.

⁶⁹ In Promotional toys, toy marketers create a concept around product, which creates fantasy around the product and children buy the toy with fantasy, which makes the toy unique.

⁷⁰ Zoll H. Miriam, "Psychologists Challenge Ethics Of Marketing To Children", <http://www.mediachannel.org/originals/kidsell.shtml>, April 5th 2000

4. "Age of playing had shrunk, leading to a new trend in the industry called 'age compression' or 'kids are getting older younger (KGOY)'."⁷¹ Analyse the emerging 'tween' segment in the US and its significance to the toy industry.
5. "...Companies that are in complex, rapidly changing environments – with many shifts due to customers, competitors, new technologies, and other changes – need to have well developed skills in peripheral vision."⁷² How can peripheral vision help companies in understanding the threats and anticipating the opportunities?
6. "After conducting a series of focus group discussions with children and having informal discussions with his daughter, her friends, his nieces, nephews, and their friends, Larian decided that the dolls should be based on cutting edge fashion and pop culture. He also observed that kids were influenced the most by their favourite pop singers and actresses' fashion." Analyse the role of consumer research in assessing current needs to cope up with change in preferences of target market at different stages of product life cycle with respect to MGA? Analyse the sequential extensions of product life cycle to get back to the growth stage.
7. Analyse the Segmentation, Target, and Positioning process of MGA.
8. "MGA had continuously strived to develop long-lasting products that held value for buyers. Toy sales generally were affected by the latest fads, which quickly lost their appeal. The lifecycle of product was too small, putting the design teams under pressure to come up with better products before its competitor could.". Analyse the challenges faced by MGA to maintain its current status quo.

Annexure I

Toys - Complete Category List

Action Figures & Accessories

- Action Figures
- Action Figure Accessories
- Action Figure Role Play

Arts & Crafts

- Clay/Dough
- Mechanical Design
- Craft/School Supplies
- Craft Kits
- Crayons/Markers/Pencils/Chalk

Building Sets

- Building Sets

Dolls

- Nurturing Dolls & Accessories
 - Nurturing Dolls
 - Special Feature Nurturing Dolls
 - Nurturing Doll Clothes
 - Nurturing Doll Accessories

⁷¹ O' Donnell Jayne, "As kids get savvy, marketers move down the age scale", http://www.usatoday.com/money/advertising/2007-04-11-tween-usat_N.htm, April 11th 2007

⁷² Day George S. and Schoemaker Paul J.H., "Scanning the Periphery", *Harvard Business Review*, November 2005 [Ref No. R0511H]

- Fashion Themed Dolls/Figures & Accessories
 - Fashion Themed Dolls/Figures
 - Fashion Themed Clothes
 - Fashion Themed Accessories
- Playset Themed Figurines & Accessories
 - Playset Themed Figurines & Accessories
- Display Dolls, Houses & Accessories
 - Display Dolls & Accessories
 - Doll Houses/Furniture

Games/Puzzles

- Games
 - Card Games
 - Strategic Trading Card Games
 - Travel Games
 - Preschool Games
 - Children's Games
 - Family Games
 - Family Dice/Word/Other
 - Family Standard
 - Family Board/Action
 - Family Strategy
 - Adult Games
 - Elect HH/Tabletop Games
 - Brainteasers
 - Plug N Play Games
- Puzzles
 - 3D Puzzles
 - Adult Puzzles
 - Children's Puzzles

Infant/Preschool Toys

- Infant Toys
 - Mobiles
 - Rattles/Toy Teethers
 - Infant Plush
 - All Other Infant Toys
- Preschool Toys
 - Bath Toys
 - PS Musical Instruments
 - PS Figures & Playsets
 - PS Electronic Learning
 - PS Talking & Sound
 - PS Role Playing
 - PS Vehicles
 - All Other PS Toys

Youth Electronics

- Youth Electronics/Communication
- ELA Hardware/Software & Accessories
- Robotic/Interactive Playmates

Outdoor & Sports Toys

- Ride-Ons
 - Non-Powered Ride-Ons
 - Tricycle/Pedal Ride-Ons
 - Non-Pedal Ride-Ons
 - Battery Op Ride-Ons & Accessories
- Sports Toys

	<ul style="list-style-type: none"> ○ Skate/Skateboards/Scooters ○ Winter Sports Toys ○ Sports Activities & Games
	<ul style="list-style-type: none"> • Summer Seasonal Toys <ul style="list-style-type: none"> ○ Pools ○ Water/Sand Toys & Accessories ○ Water Guns ○ Bubble Toys/Solution ○ Playground Equipment
Plush	<ul style="list-style-type: none"> ○ Special Feature Plush ○ Traditional Plush ○ Puppets
Vehicles	<ul style="list-style-type: none"> • Powered Vehicles <ul style="list-style-type: none"> ○ Radio/Remote Control Vehicles ○ Battery Operated for Movement ○ Friction/Pump/Pull-Back ○ Electric & Battery Powered Vehicle Sets • Non-Powered Vehicles <ul style="list-style-type: none"> ○ Finger/Extreme Vehicles/Accessories ○ Non-Powered Cars ○ Non-Powered Aircraft/Boats ○ Non-Powered Trucks ○ Mini Vehicles ○ Vehicle Accessories
All Other Toys	<ul style="list-style-type: none"> • Models & Accessories <ul style="list-style-type: none"> ○ Models ○ Model Supplies • Pretend Play <ul style="list-style-type: none"> ○ Fashion Role Play & Accessories ○ Action Dress Ups & Accessories ○ Powered Appliances & Food Mixes ○ Guns/Weapons & Accessories • Educational/Musical Toys <ul style="list-style-type: none"> ○ Scientific Toys ○ Educational Toys ○ Musical Instruments • Other/Miscellaneous Toys <ul style="list-style-type: none"> ○ Projectors/Viewers & Accessories ○ Children's Furniture ○ Trading Cards & Accessories ○ Spinning Tops & Accessories ○ Miscellaneous Toys

Source: http://www.npd.com/corpServlet?nextpage=toys-complete-category_s.html

Annexure II

US Toy Sales: 2006 (Dollar values)

SUPERCATEGORY	ANNUAL 2005	ANNUAL 2006	% CHANGE
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Action Figures & Accessories	\$1.4 B	\$1.3 B	-9
Arts & Crafts	\$2.5 B	\$2.6 B	4
Building Sets	\$680.3 M	\$676.5 M	-1
Dolls	\$2.7 B	\$2.7 B	---
Games/Puzzles	\$2.5 B	\$2.4 B	-2
Infant/Preschool	\$3.2 B	\$3.2 B	2
Youth Electronics	\$913.2 M	\$1.1 B	22
Outdoor & Sports Toys	\$2.9 B	\$2.9 B	-2
Plush	\$1.4 B	\$1.3 B	-4
Vehicles	\$2.0 B	\$2.1 B	5
All Other Toys***	\$2.1 B	\$2.0 B	-5
TOTAL TRADITIONAL TOY INDUSTRY*	\$22.2B	\$22.3B	0.2
Total Video Games**	\$10.5B	\$12.5B	19

Source: "2005 Vs. 2006 state of the industry", http://www.toy-tia.org/Content/NavigationMenu/Press_Room/Statistics3/State_of_the_Industry/2005_vs_2006.htm

Annexure III

Bratz Girls Characters

Cloe, nicknamed **Angel**. Blonde hair, blue eyes, medium- light skin tone in most lines

Jade, nicknamed **Kool Kat**. Varying eye colours (brown or green), jet black hair (available with blue, brown, and silver hair), medium skin tone in most lines (available in pale and tan). Jade is presented as being of an unspecified Asian heritage.

Sasha, nicknamed **Bunny Boo**. Varying eye colours (often brown or green), dark brown hair (also available with black, silver, orange, and blonde), and dark skin tone.

Yasmin, nicknamed **Pretty Princess**. A varying eye colour (brown or blue). She has brown hair and purple eyes; tan skin tone and a beauty spot under her left eye

Source: "Bratz Rock Angelz", <http://www.videogamecrawler.net/platform/bratz-rock-angelz.html>

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